

September 30, 1997

All Chicken Processors

NOTICE TO TRADE - SEPTEMBER 1997

In the past, chicken nuggets and patties were purchased on a twice-monthly basis for the State Option Contract program. As a result, schools would receive the formulated product from different vendors, which would result in variances in the finished product. This was an apparent area of concern with the schools and States because children become accustomed to one vendor's product and notice the slight variation when the next shipment of nuggets or patties is from a different vendor.

To address this concern, beginning in school year 1997-98, we will purchase nuggets and patties utilizing Requirements Contracts on a pilot basis. Regulations for procuring under a Requirements Contract can be found in 48 C.F.R. § 16.503. A Requirements Contract will be awarded to responsible vendors to fulfill the needs of one or more State(s) for the entire school year. Utilizing this method, vendors will bid one price for all destinations within a State, rather than individual prices for different destinations within a State. This will ensure that schools within a State receive product from one vendor throughout the school year, thus resulting in a consistent finished product.

Following are some of the key points for bidding on a Requirements Contract:

- Vendors will bid one processing cost per State.
- Bids will be awarded on a least cost basis.
- The States MAXIMUM requirements for the school year will be identified on the Invitation. AMS will not purchase more than the maximum.
- Notices to Deliver will be issued at least 30 days prior to the not-later-than delivery date. Product will not be produced prior to receiving the Notice to Deliver.

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- The vendor's offer price (processing cost) will be added to a market price for chicken (base price) to determine the awarded price per pound. The base price will be 1.2 times the 12-city price for broiler chicken published by USDA Poultry Market News on Monday the week each Notice to Deliver is issued.
- While we anticipate bids to be solicited only one time per school year, additional purchases may be necessary to meet recipient demands.
- Once a contract is awarded, States are encouraged to contact the vendor to arrange delivery (i.e., destination diversions, changes in delivery periods).

For further information, contact the USDA/AMS/Poultry Programs, Contracting Officer, Commodity Procurement Branch STOP 0260, 1400 Independence Ave., SW, Washington, DC 20050-0260, telephone (202) 720-7693.

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